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5 BEFORE THE INSURANCE COMMISSIONER  
6 OF THE STATE OF WASHINGTON

7  
8 In the Matter of the Application regarding the  
9 Conversion and Acquisition of Control of  
10 Premera Blue Cross and its Affiliates  
11

OIC Docket No. G02-45

DIRECT TESTIMONY OF DR. JEFF  
COLLINS ON BEHALF OF THE  
WASHINGTON STATE MEDICAL  
ASSOCIATION

12 I, Jeff Collins, do hereby swear to the following:

- 13 1. I am a physician in internal medicine at The Physicians' Clinic of Spokane, where I have  
14 been in practice for almost twenty years.
- 15 2. "America's Best Doctors" honored me by selecting me to be one of the few physicians in  
16 Spokane to be listed in all three editions, the most recent in 2004.
- 17 3. I am the current president of the Washington State Medical Association (WSMA).
- 18 4. I was graduated from the medical school at the University of Illinois, Chicago, in 1981.
- 19 5. Beginning in 1981, I did my residency at Internal Medicine Spokane, a training program  
20 run jointly by Sacred Heart Medical Center and Deaconess Medical Center. From 1984-  
21 1985, I served as Chief Resident.
- 22 6. In 1984 I was board certified by the American Board of Internal Medicine.  
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- 1 7. In 1994 I was elected President of the Spokane County Medical Society.
- 2 8. In 1992, I was elected to the WSMA Board of Trustees, where I have served ever since.
- 3 9. In 1999, I was elected to the Executive Committee of the WSMA, where I have served
- 4 ever since.
- 5 10. In 2003, I was elected President of the WSMA.
- 6 11. As WSMA President, and previously as a WSMA board member, I have traveled across
- 7 the state talking to physicians from every specialty and every clinical setting about the
- 8 challenges they and their patients face.
- 9 12. For the past twenty years, I have treated patients at Sacred Heart Medical Center and
- 10 Deaconess Medical Center in Spokane.
- 11 13. From 1985-2000, I supervised the inpatient Chemical Dependency unit at Deaconess
- 12 Medical Center.
- 13 14. The clinic where I practice employs about twenty physicians, making it one of the largest
- 14 clinics in Eastern Washington.
- 15 15. I provide medical care for adolescents and adults who suffer from acute illnesses, heart
- 16 disease, lung disease, HIV, and gastrointestinal and renal problems. I also offer extensive
- 17 preventive care and a limited amount of orthopedic care.
- 18 16. I treat approximately 300 patients per month.
- 19 17. I helped found the Spokane AIDS Network in 1985 and later served for four years as a
- 20 board member of the organization.
- 21 18. For the past three years, I have treated inmates infected with HIV who are incarcerated at
- 22 the Airway Heights Correction Center.
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- 1 19. While at the prison, I also care for inmates with complicated cases of diabetes,  
2 hypertension, and so forth; occasionally I admit patients to Deaconess Hospital who need  
3 treatment for medical (non-surgical) problems.
- 4 20. Over half of my patients have commercial coverage.
- 5 21. Almost a third of my patients are Medicare recipients.
- 6 22. Almost 10% of my patients obtain their insurance coverage in the individual market.
- 7 23. Like the rest of my colleagues at the clinic, I give a 20% discount on my charges to  
8 patients who have no insurance. Patients who complete a financial statement and are at  
9 150% or less of the federal poverty guideline have all or a portion of their bill written off.
- 10 24. The geographic area I serve is Eastern Washington, Northern Idaho, and Western  
11 Montana. My patients come from Oroville, Washington; to Libby, Montana; to Lewiston,  
12 Idaho; and the Tri-Cities.
- 13 25. I believe I have a deep understanding of the health care system in Eastern Washington  
14 based on my twenty years of experience treating patients at one of the region's leading  
15 primary care clinics and at two of the region's leading hospitals.
- 16 26. I believe I have a strong understanding of the health care system in Western Washington  
17 based on my twelve years of service in leadership roles in the WSMA, the largest  
18 physician organization in the state, whose members come from all 39 counties.
- 19 27. For the past several years, I have served at Premera's request on its Credentialing  
20 Committee. In that capacity, I review applications to join the company's provider  
21 network and renewal applications from providers who already belong. There are other  
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1 outside physicians on the committee, as well as other physicians and staff employed by  
2 the company.

3 28. Premera has acted in a fair and professional manner in the credentialing decisions I have  
4 observed. I do not bear any animus toward Premera or any other carrier.

5 29. Within the last few years, there has been consolidation of payers within the Spokane and  
6 Eastern Washington market. PacifiCare, QualMed, Healthlink and the Providence Health  
7 plans have all disappeared.

8 30. The departure of so many payers has hurt our clinic because no other companies have  
9 been able to fill the void.

10 31. Our clinic and other physicians in the region are now more dependent on Premera, which  
11 has become the dominant carrier in Eastern Washington.

12 32. In many parts of Eastern Washington, Premera is effectively the only non-government  
13 payer for medical services.

14 33. I have been a network provider with Premera since 1994. That year it affiliated with the  
15 Medical Services Corporation (MSC), which was the largest payer for health care  
16 services in Eastern Washington at the time. Premera subsequently acquired MSC in 1998.

17 34. Premera accounts for approximately half of all of the clinic's billings for private  
18 insurance, and approximately 25% of total clinic billings.

19 35. The next biggest carrier as a percentage of the clinic's charges is Physician Hospital  
20 Community Organization (PHCO), with about 5% of the total.

- 1 36. Our clinic contracts with all of the available major insurance companies and Preferred  
2 Provider Organizations (PPOs), including Aetna, CIGNA, United Health, First Choice,  
3 and One Health.
- 4 37. Premera refuses to negotiate our clinic's contract. Just as it does with many other medical  
5 practices I am aware of, Premera has a "take it or leave it" approach to its contract offer.  
6 Of course, because Premera accounts for so much of a physician's business, few  
7 physicians can afford to "leave it"; they end up reluctantly "taking it."
- 8 38. The dominance of Premera is demonstrated by the trend among other regional and  
9 national carriers, which have adopted a fee schedule very similar to Premera's. A fee  
10 schedule is the price list for what an insurer will pay physicians for their services.
- 11 39. While it is true that Premera has increased our clinic's reimbursement by an average of  
12 8% over the past four years, these increases have not been enough to offset the higher  
13 administrative cost of dealing with Premera, much less the higher cost of operating a  
14 medical clinic.
- 15 40. Physicians must wage a constant battle with the Premera bureaucracy to obtain care for  
16 their patients.
- 17 41. While no health insurance company is a model of clarity or compassion, Premera is  
18 among the most difficult to deal with.
- 19 42. It was much easier to arrange care for my patients before Premera took over MSC. MSC  
20 was far more accessible and responsive than Premera has turned out to be.
- 21 43. Too much of my time is diverted from patient care in order to fight the Premera  
22 bureaucracy.
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- 1 44. For example, getting approval from Premera for a test or a procedure often takes many  
2 forms, faxes, and phone calls.
- 3 45. It is rarely clear who the right person is to contact at Premera.
- 4 46. It is rarely clear whether the request is under review or has been rejected. Often my staff  
5 or I must make multiple attempts to reach Premera before we get any response.
- 6 47. Premera's coverage rules are so hard to follow that their own employees don't understand  
7 them. We frequently receive one answer from a Premera representative, only to have that  
8 reply contradicted by someone else at the company.
- 9 48. The task of gaining approval for patient care is especially troublesome when it comes to  
10 the question of medical necessity. Too often Premera employees who lack the appropriate  
11 clinical training and expertise overrule what the physician believes is in the patient's best  
12 interest.
- 13 49. Occasionally I can persuade Premera's medical director to rectify the problem. It is  
14 unfortunate that such disputes arise in the first place, and that it takes such high-level  
15 intervention to get them resolved.
- 16 50. Many of my colleagues who perform surgeries complain about Premera's practice of  
17 bundling services, in which the company keeps the rate of reimbursement artificially low  
18 by combining the cost of supplies with the fee for the surgery. This policy fails to reflect  
19 the true cost of providing care for some of our sickest residents, at a time when the price  
20 of supplies continues to escalate.
- 21 51. My colleagues in oncology, gastroenterology, and many other specialties express  
22 exasperation with Premera's payment practices. They complain that Premera has its own  
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1 peculiar interpretation of the rules about bundling and modifiers and other nuances of  
2 coding that somehow always seems to result in a reduction in the amount paid on a claim.

3 52. A major source of concern and frustration, for patients and physicians alike, is  
4 prescription drug coverage. Premera has not done a good job educating its members  
5 about what is and is not covered. Frequent rule changes make it difficult to keep current.

6 53. As a result, the burden of managing the formulary for Premera falls largely on physicians,  
7 who must explain the system to patients and must attempt to navigate the system on their  
8 patients' behalf.

9 54. Decisions about what drugs to cover seem to be driven primarily by financial motives,  
10 though Premera asserts that it puts clinical considerations first.

11 55. Premera is notorious for requesting lots and lots of information about new patients. It  
12 seems as if Premera is looking for pre-existing conditions or some other reason not to pay  
13 for the patients' care.

14 56. The overwhelming and needlessly complex rules created by Premera inevitably lead to  
15 delays and denials for care or coverage.

16 57. Once Premera denies a claim, it says there is a right to appeal. My experience in bringing  
17 appeals is limited, largely because I've found it to be futile: I cannot recall ever having a  
18 successful appeal with Premera.

19 58. Many physician practices have a significant problem with accounts receivable from  
20 health insurers, including Premera. Failure to pay claims promptly, failure to pay the  
21 proper amount for claims, and wrongful claims denials all make it increasingly difficult  
22 for physician practices across the state to keep their doors open.  
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1 59. In 1998, Premera withdrew from the individual market, which offers coverage to people  
2 who do not get insurance from their employer, the government, or any other source.

3 These people often have the hardest time finding affordable coverage.

4 60. Premera had by far the largest share of the individual market. Its decision to withdraw  
5 precipitated the collapse of the market. Many patients struggled for a long time to find  
6 replacement coverage; many others never did.

7 61. The surge in uninsured and underinsured people resulted in excess utilization of the  
8 emergency room: either they waited until they became so sick that what could have been  
9 treated relatively simply instead grew into an emergency, or they sought care in an  
10 emergency room because they knew they would not be turned away.

11 62. Although limited access to the individual market has been restored, the number of  
12 uninsured and underinsured Washingtonians continues to climb.

13 63. Physicians have traditionally offered care to patients regardless of their ability to pay.  
14 Many of us still do, but more and more physicians have been forced to limit the amount  
15 of uncompensated care they provide because they simply can no longer afford to absorb  
16 the mounting costs of such care. For this reason, fewer specialists are willing to be on-  
17 call for emergency departments.

18 64. These problems are magnified in rural areas, where insurance coverage is relatively  
19 scarce and many physicians have left because there is a smaller patient base over which  
20 to spread the high cost of running a practice.

1 65. I see many rural patients in my practice. They tell me that lack of access to affordable  
2 care is one of their biggest concerns, and is one of the driving forces behind the exodus  
3 from rural areas of the state.

4 66. There is another exodus going on: physicians are leaving the state -- and leaving the  
5 profession -- at alarming rates. Washington is also finding it hard to attract physicians.

6 67. Recruitment and retention problems are related to the meager reimbursement rates paid  
7 by Premera and its competitors, whose rates rarely differ significantly. Physicians are  
8 increasingly being drawn to states where the carriers offer higher reimbursement.

9 68. Premera's recent announcement that it would discontinue insurance coverage for the poor  
10 will only exacerbate an already desperate situation: fewer payers inevitably means  
11 reduced access for patients.

12 69. As a for-profit, Premera would have even more motivation to abandon less lucrative  
13 insurance markets. Through pricing and benefit design, Premera could discourage  
14 patients from seeking preventive and primary care (through high-deductible products, for  
15 example).

16 70. As a for-profit, Premera would have even more motivation to force "productivity"  
17 standards on physicians that encourage them to spend less time with each patient.

18 71. As a for-profit, Premera would have even more motivation to raise premiums. I have seen  
19 an absolute correlation between an increase in insurance premiums and an increase in the  
20 deferral of care, the loss of insurance coverage, and the deterioration of patient outcomes.

1 72. I have spent far too long in the health care system to believe that there is only one cause  
2 for all its ills. The rise in liability insurance premiums, the decrease in government  
3 reimbursement, and the increase in government regulation are among the many culprits.

4 73. The existence of these and other major challenges makes the approval of Premera's  
5 proposed conversion even riskier: the potential for harm is too great; the ability to  
6 withstand such harm is too doubtful.

7 74. Physician practices have taken about all the setbacks they can endure. Most have already  
8 trimmed costs as much as they can. Operating margins are very tight. Any further strain  
9 will worsen access and affordability of care.

10 75. If physician practices were treated like medical symptoms, we would put them in the  
11 Intensive Care Unit. For many solo and small practitioners, it is already too late: they  
12 have succumbed to the unhealthy conditions in the marketplace. Large clinics like mine  
13 deliver excellent care, but patients and physicians suffer when care can only be provided  
14 in such settings. We need the diversity of options that comes with a healthy marketplace.

15 76. It is my belief that all of the administrative barriers to care would get even harder to  
16 overcome, and the inadequate reimbursement rates would deteriorate even further, if  
17 Premera were allowed to convert to a for-profit corporation. The obligation to act purely  
18 in the interest of profit would increase the pressure to keep claims costs down.

19 77. It is my belief that these threats to patient care and physician practice viability would  
20 intensify if Premera became a for-profit corporation, and was then sold to an out-of-state  
21 carrier.

1 78. In my experience, out-of-state carriers are large, cumbersome organizations. Part of the  
2 reason it was easier for physicians to work with MSC was that it was a smaller, more  
3 efficient company than Premera. Bigger is seldom better when it comes to health  
4 insurers.

5 79. In my experience, out-of-state carriers do not understand, or do not wish to understand,  
6 the health care needs of our local communities.

7 80. We have many urgent health care needs in Washington State: children need well-child  
8 care and treatment for acute illnesses; the elderly need acute illness treatment, too, as well  
9 as chronic disease management; the poor need more sustained care to avert a crisis for  
10 them and the health care system as a whole.

11 81. My biggest fear is that Premera's conversion, and possible subsequent sale, will harm the  
12 most vulnerable patients in our state: the sickest, the poorest, people who live in rural  
13 Washington, and people who are the most dependent on prescription drugs.

14 82. I believe that Premera's conversion would cause significant deterioration in the  
15 availability of health care coverage in Washington, and would be hazardous to the  
16 insurance-buying public. There is no benefit I can identify or imagine that would  
17 outweigh the potential harm.

18 83. For the reasons set forth in my testimony, I respectfully request that Premera's  
19 application for conversion be denied.  
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1 I declare under penalty of perjury under the laws of the State of Washington that the foregoing is  
2 true and correct to the best of my belief.

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4 Executed on my behalf in Seattle, Washington, on this 31<sup>st</sup> day of March, 2004.

5  
6 /s/  
7 Dr. Jeff Collins